

Message Text

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63

ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-06 NEA-09 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05

OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-03 PA-01 PRS-01 USIA-06 XMB-02 IO-10 /135 W

----- 101070

R 172141Z MAR 75

FM AMEMBASSY QUITO

TO AMEMBASSY CARACAS

INFO SECSTATE WASHDC 4837

AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY LIMA

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

USMISSION BRUSSELS

OECD PARIS 151

AMEMBASSY VIENNA

C O N F I D E N T I A L QUITO 1860

E.O. 11652: GDS

TAGS: ENRG, PFOR, PE, VE, EC

SUBJECT: VENEZUELAN-PERUVIAN-ECUADOREAN OIL SCHEME

REF: A) CARACAS 2890; B) LIMA 2090

1. COLONEL RENE VARGAS, MANAGER OF CEPE, ECUADOREAN STATE

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PETROLEUM COMPANY, CONFIRMED TO DCM MARCH 14 THAT VENEZUELA

HAD AGREED TO FINANCE ONE-HALF OF ECUADOR'S 20,000 BARREL PER DAY PETROLEUM SALES TO PERU. VARGAS SAID THAT THE FIRST 10,000 BARRELS A DAY OF CEPE'S CRUDE WOULD BE SOLD TO PERU AT THE "NORMAL" 180 DAY TERMS. HE SAID THAT PERU HAD INSISTED ON LONGER TERM FINANCING FOR THE REMAINDER OF THE CRUDE UNTIL ITS OWN OIL PRODUCTION FROM THE ORIENTE REGION COULD GET ON STREAM. PERU HAD ASKED FOR TWO TO THREE YEAR FINANCING. NEITHER CEPE NOR THE GOE, VARGAS SAID, WERE IN A POSITION TO OFFER SUCH TERMS. VENEZUELA, WHICH ALSO HAS A 20,000 BARREL PER DAY AGREEMENT WITH PERU, HAD OFFERED TO PICK UP THIS FINANCING FOR ECUADOR. IT MEANS IN FACT THAT VENEZUELA WILL BE PURCHASING THIS AMOUNT OF CRUDE FROM ECUADOR FOR CASH AND RE-SELLING IT TO PERU ON THESE RATHER LENGTHY TERMS.

2. ANNOUNCEMENT OF THIS DEAL IN LESS DETAIL WAS MADE PUBLIC IN THE GUAYAQUIL PRESS MARCH 15.

3. COMMENT: THE EXACT TERMS OF THE ARRANGEMENT OR WHAT REAL PRICE ECUADORE WILL RECEIVE FOR ITS CRUDE ARE UNKNOWN TO US AT THIS TIME. NEVERTHELESS, IT IS AN INDICATION OF VENEZUELA'S WILLINGNESS NOT ONLY TO ASSIST ITS OPEC PARTNER ECUADOR BUT ALSO PERU, A CURRENT NET IMPORTER OF PETROLEUM. SINCE PERU EXPECTS IN THE NEXT FEW YEARS TO BE A PETROLEUM EXPORTER ALSO, VENEZUELA'S ASSISTANCE MAY NOT BE ENTIRELY DISINTERESTED IN TERMS OF SOLIDARITY AMONG EXPORTERS. IN THIS CONNECTION VARGAS MENTIONED IN PASSING THAT VENEZUELA IS NOT GRANTING SIMILAR ASSISTANCE WITH RESPECT TO ECUADOR'S EXPORTS TO CHILE.
BREWSTER

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Margaret P. Grafeld
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05 JUL 2006

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